



THE COMMONWEALTH OF MASSACHUSETTS  
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February 21, 2006

Ms. Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, Massachusetts 02110

RE: Massachusetts Electric Company and Nantucket Electric Company, d/b/a National  
Grid, D.T.E. 06-5

Dear Secretary Cottrell:

Pursuant to the procedural schedule adopted in this proceeding, the Attorney General submits this letter as his response to the Initial Brief filed by Massachusetts Electric Company and Nantucket Electric Company, d/b/a National Grid (together, the "Company" or "MECo") on February 17, 2006.<sup>1</sup>

The Company argues that Consolidated Edison ("ConEd") should be included in the Regional Index because MECo has proposed a reasonable allocation between the transmission and distribution functions of ConEd's rebundled rates. Company's Reply Brief at 6. There is no basis under the terms of the Rate Plan Settlement, however, for the Company's inclusion of ConEd or the artificial allocation method MECo used to adjust ConEd's bundled rates. *See* Rate Plan Settlement, D.T.E. 99-47 (2000). The Company has clearly violated the express provisions of the Department approved Rate Plan Settlement by including ConEd, which had bundled transmission and distribution rates as of April 1, 2005, in the Regional Index. The intent of the Rate Plan Settlement<sup>2</sup> was not to have the Company

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<sup>1</sup> This brief is not intended to respond to every argument the Company made or position it took. Rather, it responds only to the extent necessary to assist the Department of Telecommunications and Energy ("Department") in its deliberations, i.e., to provide further information, to correct misstatements or misinterpretations, or to provide omitted context. Therefore, silence by the Attorney General in regard to any particular argument in another party's brief should not be interpreted as assent. The Attorney General also reserves his right to respond to the Company's Reply Briefs. G.L. c. 30A § 11(1).

<sup>2</sup> Although the Rate Plan Settlement does not explicitly provide for eliminating companies  
(continued...)

artificially create a component of the Regional Index so that MECo's rates would unduly increase.

The Company also claims that including ConEd in the Regional Index provides meaningful information about the true measure of the movement of electric distribution rates in the Northeast. Company's Reply Brief at 5. By including a utility that has bundled transmission and distribution rates and creating an artificial component of the Regional Index, the Company has abandoned any true measure of the movement of distribution rates. Also, many comparable Northeast electric distribution companies with unbundled rates were not included in the Regional Index when it was created under the Rate Plan Settlement. Tr. at 57-58 and 73-74. Inclusion of those other companies could have also provided important information regarding the movement of distribution rates but the parties did not include them.

The parties to the Settlement agreed on a method and group of companies to calculate MECo's rates. The Department should not allow MECo to depart from that agreement. The Company's artificial allocation of ConEd's bundled rates does not produce just and reasonable rates. The Department should reject the Company's proposed rate increase and order the Company to recalculate its rate adjustment without Con Ed in the Regional Index for the years 2004 and 2005 consistent with the clear provisions of the Rate Plan Settlement.

Sincerely,

Colleen McConnell  
Assistant Attorney General

cc: Service List

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<sup>2</sup>(...continued)  
because of rebundling, the parties to the Settlement clearly envisioned that companies could be eliminated from the Regional Index. *See. e.g.* Rate Plan Attachment, Attachment 8. (elimination of company because of merger or acquisition).